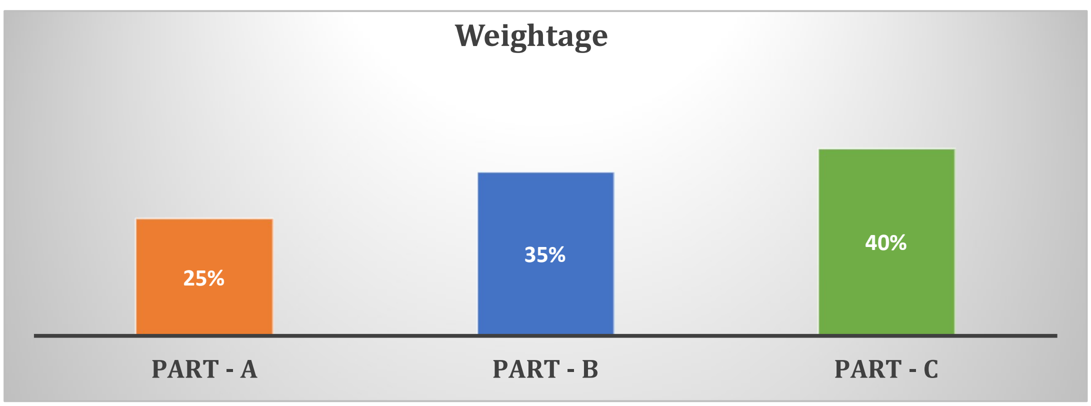
S5 - STRATEGIC FINANCIAL MANAGEMENT
(Strategic Level-2)
Practical Industry Knowledge (PIK) Stream

INTRODUCTION
This practical-focused course is designed for experienced finance professionals. It moves beyond theory to concentrate on the application of financial management tools and techniques in complex, real-world business scenarios. The curriculum is built around case studies, strategic analysis, and decision-making that mirrors the challenges faced by senior financial managers and consultants.

OBJECTIVE
To enable seasoned students to demonstrate their ability to:
- **Formulate and critique** financial strategy in the context of organizational objectives and constraints.
- **Evaluate and recommend** financing and investment decisions using advanced, applied techniques.
- **Analyze and manage** financial risk, particularly in corporate restructuring and international operations.
- **Synthesize complex information** to provide actionable recommendations for value creation.

LEARNING OUTCOMES
- On completion of this course, students will be able to:
- **Analyze an** organization's strategic position and **develop** a congruent financial strategy.
- **Critically** evaluate major investment decisions (domestic & international), incorporating risk, strategic fit, and value creation.
- **Recommend** optimal financing structures and dividend policies based on an analysis of market conditions and company-specific factors.
- **Apply** advanced hedging techniques to manage financial and foreign exchange risk.
- **Perform** business valuations and evaluate proposals for mergers, acquisitions, and restructuring from a strategic and financial perspective.

SYLLABUS CONTENTS



PART - A
FORMULATION & ANALYSIS OF FINANCIAL STRATEGY

1. Financial Objectives and Strategic Alignment

- **Practical Application:**
Analyzing conflicting stakeholder objectives in a case study and recommending a financial strategy that balances these interests with corporate goals.

- **Constraints Analysis:**
Evaluating real-world economic, international, and regulatory constraints (e.g., SBP regulations, PSX rules) on a company's strategic options.

2. **Forecasting for Decision-Making**

- **Performance Analysis:**
  Using ratio analysis (including DuPont and Z-Score) to diagnose corporate health and predict potential financial distress in a practical scenario.

- **Cash Flow Forecasting:**
  Constructing and analyzing a detailed cash budget to identify funding shortfalls/surpluses and recommend corrective actions (e.g., arranging credit lines, managing receivables).

- **Sensitivity & Scenario Analysis:**
  Applying "what-if" analysis to financial forecasts to assess the impact of changes in key variables (e.g., sales volume, raw material costs) and advise on risk mitigation.

3. **Strategic Policies in Practice**

- **Working Capital Strategy:**
  Evaluating a company's working capital cycle and recommending an appropriate financing strategy (aggressive, conservative, matching) based on its operational needs and risk profile.

- **Dividend Policy Analysis:**
  Advising a Board of Directors on dividend policy (including stock buybacks), analyzing the signaling effect, and balancing shareholder expectations with reinvestment needs.

PART - B
APPLIED FINANCING & RISK MANAGEMENT DECISIONS

4. **Financing Evaluation**

- **Equity Finance Analysis:**
  Evaluating the impact of a rights issue on shareholder wealth and company leverage. Analyzing the choice between IPO and private placement.

- **Debt Instrument Evaluation:**
  Comparing the practical implications of different debt instruments (e.g., conventional bonds, Sukuks, convertible debt) for a company's cost of capital and financial flexibility.

- **Lease vs. Buy Decision:**
  Performing a detailed numerical and strategic analysis to recommend whether to acquire an asset via lease or purchase.

5. **Cost of Capital & Capital Structure**

- **Calculating Risk-Adjusted WACC:**
  Estimating a company's WACC for a new project or division, incorporating concepts of asset and equity betas to reflect project-specific risk.

- **Capital Structure Recommendation:**
  Analyzing a company's current capital structure and, based on industry benchmarks and current market conditions, recommending an optimal target structure.

6. **Practical Treasury and Risk Management**

- **Treasury Functions:**
  Critiquing the role of a treasury department in a case study organization.

- **Foreign Exchange Risk Management: [Key Practical Focus]**
  Analyzing transaction, translation, and economic exposure in a multinational corporation.

- **Calculating and recommending** hedging strategies using forwards, money markets, and options for specific import/export transactions.
  - Evaluating the cost-effectiveness of different hedging techniques.

PART - C
STRATEGIC INVESTMENT & CORPORATE RESTRUCTURING

7. **Advanced Investment Appraisal**
- **Appraisal of Complex Projects: [Key Practical Focus]**
  - Calculating NPV for projects with inflation, tax, and phased cash flows.
  - Applying sensitivity and scenario analysis to identify key value drivers and project risks.

- Evaluating projects with real options (e.g., option to expand, abandon) and their strategic value.
- Calculating APV for projects with complex financing (e.g., subsidized loans).

- **International Project**
- **Appraisal:** Calculating the NPV of a foreign direct investment, incorporating forecasted exchange rates using PPP/IRP theories, and adjusting for political risk.

8. **Project Control & Post-Audit**
   - **Feasibility Study Analysis:** Critiquing a project feasibility study.
   - **Post-Completion Audit:** Designing a process for a post-audit of a major capital project to evaluate its success and learn lessons for future decisions.
9. **Business Valuation in Practice**
   - **Applied Valuation: [Key Practical Focus]**
     - Performing a business valuation for a potential acquisition using multiple methods (DCF, earnings multiples, asset-based).
     - Analyzing and reconciling different valuation outcomes to propose a valuation range.
     - Calculating and interpreting EVA/MVA to assess past management performance.

10. **Mergers, Acquisitions & Restructuring**
    - **M&A Evaluation: [Key Practical Focus]**
      - Analyzing the strategic and financial rationale for a proposed merger or acquisition.
      - Evaluating the attractiveness of different payment methods (cash vs. stock) for both the acquirer and target shareholders.
      - Assessing the potential synergies from a merger and the challenges of post-acquisition integration.
      - Analyzing defense tactics against a hostile takeover.
      - Evaluating the financial viability of an LBO/MBO proposal